Word Music, LLC et al v. Priddis Music, Inc. et al Doc. 29 Att. 4

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

VERSUS TECHNOLOGY, INC.
Plaintiff,
v. Case No. 1:04-CV-168
HILLENBRAND INDUSTRIES, INC., HON. GORDON J. QUIST
HILL-ROM SERVICES, INC.,
HILL-ROM COMPANY, INC., VISONIC
TECHNOLOGIES LTD, and VT
AMERICAS, INC.,
Defendants.
_____________________________________/

OPINION

Plaintiff, Versus Technology, Inc. ("Versus"), filed its complaint in this case on March 15, 2004, against Defendants, Hillenbrand Industries, Inc. ("Hillenbrand"), Hill- Rom Services, Inc. ("HRS"), and Hill-Rom Company, Inc. ('HRC") (collectively referred to as the "Hillenbrand Defendants"), and Visonic Technologies Ltd. ("Visonic"), and Visonic Inc. Pursuant to a stipulated Order entered on June 3, 2004, Versus filed an amended complaint amending the caption to substitute VT Americas, Inc. ("VTA") for Visonic, Inc. as a defendant. Presently before the Court are the Hillenbrand Defendants' motions to transfer venue, to dismiss for failure to join an indispensable party, to dismiss Counts II, III, and VI of Versus's amended complaint, and to strike portions of the declaration of Gary T. Gaisser. Also before the Court are VTA's motion to dismiss for lack of personal jurisdiction and improper venue or, in the alternative, to transfer venue, and Visonic's motion to dismiss for lack of personal jurisdiction.

The Court heard oral argument on these motions by telephone on August 26, 2004. At the conclusion of the hearing, the Court granted the Hillenbrand Defendants' motion to dismiss Counts II, III, and VI with respect to Versus' misrepresentation and innocent misrepresentation claims for failure to comply with Fed. R. Civ. P. 9(b), but allowed Versus to file an amended complaint to plead

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those claims with specificity. The Court took the remainder of that motion and the other motions under advisement. Versus has now filed a motion for leave to file a second amended complaint and supplemental complaint which, in addition to including more specific allegations in the misrepresentation claims, adds Elpas Electro-Optic Systems Ltd. as a defendant and identifies more precisely the patent infringement claims previously alleged against Visonic and VTA. Visonic and VTA oppose this motion and have filed a response.

For the reasons set forth below, the Court will allow Versus' proposed amendment but will transfer the case to the Middle District of North Carolina based upon the rule of comity among federal courts known as the "first-to-file" rule.

I. Background

Versus is a Delaware corporation with its principal place of business in Traverse City, Michigan. Versus develops and markets products that use infrared and radio frequency technology in various applications, including systems for locating and tracking people and equipment. Versus' locating systems are used in "nurse call" systems in hospitals. "Nurse call" systems are commonly associated with hospital beds and are used to provide notification during patient emergencies.

Versus sells its locating systems directly to hospitals and to third-party original equipment manufacturers. Versus is the owner of United States Patent 5,027,314 ("the '314 Patent"), entitled "Apparatus and Method for Position Reporting," and United States Patent 6,154,139 ("the '139

Patent"), entitled "Method and System for Locating Subjects within a Tracking Environment."

Versus is the exclusive licensee of United States Patent 5,572,195 ("the '195 Patent"), entitled "Sensory and Control System for Local Area Networks," and United States Reissue Patent 36,791 ("the '791 Patent"), entitled "Location System Adapted for Use in Multipath Environments." These patents cover the technology used in Versus' tracking and locating systems.

Hillenbrand is a Delaware corporation with its principal place of business in Batesville, Indiana. HRS and HRC are both Delaware corporations with principal places of business in

Batesville, Indiana. Hillenbrand is a publicly-traded holding company, and HRS and HRC are two of its wholly-owned subsidiaries. HRC is a major supplier through sales, rentals, and service of hospital products, including beds, therapy surfaces, stretchers, furniture, communications systems and headwall systems. For several years, HRC and/or HRS has marketed throughout the United States "nurse call" systems that use integrated locating systems. HRC has marketed and sold the COMposer Communication System, which includes locator badges, and more recently has developed the COMLinx System, which includes or uses the COMLinx Local Positioning Module. HRS is the owner of now-expired United States Patent Reexamination Certificate No. RE 35,035 (“the '035 Patent"), entitled "Locating System and Method," and United States Patent No. 6,462,656 (“the '656 Patent"), entitled "Personnel and Asset Tracking Method and Apparatus," both of which cover the technology used in HRC's locating systems.

Visonic is an Israeli holding company that owns three companies located in Israel. These companies manufacture integrated identification and facility management solutions incorporating local positioning, security, access control, and asset management. Elpas Electro-Optic Systems ("Elpas"), one of the companies, manufactures a product known as the Elpas Local Positioning

System, which is used in the COMLinx system. (Radomsky Decl. ¶ 4, attached to Def. Visonic's Br. Supp. Mot. Dismiss.) Elpas sells this product in the United States through VTA, its sole distributor of the product in the United States. (Id.) VTA, in turn, sells the product to HRC for use in the COMLinx system. (Id.) VTA, a subsidiary of Elpas, is a Delaware corporation with its principal place of business in Bloomfield, Connecticut. (Id. ¶ 3.)

On December 30, 2003, HRS filed a complaint in the United States District Court for the Middle District of North Carolina ("MDNC") against Versus and three of its distributors, A4 Health Systems, Inc., Healthcare Information Technology, Inc., and Surgical Information Systems, LLC.

According to the Hillenbrand Defendants, HRS filed its complaint in the MDNC because Versus and one of its distributors installed an infringing system at Duke University Hospital located in the MDNC. The complaint alleged that Versus and its distributors are infringing the '656 Patent and had previously infringed the expired '035 Patent. Instead of serving the complaint, on January 6, 2004, William A. Morrison, HRS's Senior Intellectual Property Counsel, sent a copy of the complaint, a draft settlement agreement, and a letter outlining HRS's infringement claim, including damages, to Versus' President and CEO, Gary T. Gaisser. (Morrison Decl. ¶2 & Ex. A, Hillenbrand Defs.' Br. Supp. Mot. Transfer Ex. 4.) Williams indicated that HRS was serious about pursuing its infringement claims but extended an invitation to discuss an amicable resolution of the matter.

Versus responded on February 12, 2004, through a letter from its counsel, Robert Tuttle, requesting additional information from HRS regarding its infringement claims. (Id. ¶ 3 & Ex. B.) After exchanging correspondence several more times, representatives of HRS and Versus met to discuss the North Carolina lawsuit on or about March 5, 2004. (Id. ¶ 6; Gaisser Decl. ¶11, Pl.'s Br. Resp. Hillenbrand Defs.' Mot. Transfer Ex. A.) The parties did not reach an agreement at the meeting.

Versus filed its complaint in this case on March 15, 2004. Versus alleges that in early 2000, Versus and Hillenbrand began negotiating a relationship in which: (1) Versus would grant Hillenbrand a license to use Versus' patents, which Hillenbrand was then infringing; (2) Hillenbrand would acquire an equity interest in Versus; (3) the parties would execute a development agreement, pursuant to which Versus would overlay its system on the existing Hillenbrand nurse call system and would develop new products for Hillenbrand over a five-year period; and (4) the parties would execute a supply agreement pursuant to which Versus would supply locating products to Hillenbrand on an exclusive basis for five years. (1st Am. Compl. ¶ 15.) Versus alleges that the parties signed a "Non-Exclusive Patent License Agreement" (Versus and HRS) and a Stock Purchase Agreement

(Versus and Hillenbrand) on September 1, 2000. (Id. ¶ 16.) According to Versus, Hillenbrand insisted that Versus execute the License Agreement and Stock Purchase Agreement first and represented that it would subsequently execute the five-year supply and development agreements.

Versus claims that, contrary to these representations, Hillenbrand did not finalize the remaining agreements and did not overlay Versus' locating system onto Hillenbrand's nurse call systems. (Id. ¶¶ 19, 20.) Instead, Versus alleges, Hillenbrand began purchasing the locating technology for its COMLinx Local Positioning Module from Visonic (or VTA). (Id. ¶ 20.)

Count I of the first amended complaint alleges that the Hillenbrand Defendants and Visonic (VTA) have infringed at least one claim of each of the '314, '195, '139, and '791 Patents by making, using, selling and/or offering to sell COMLinx outside the scope of the License Agreement. Counts II, III, IV, and V allege claims for misrepresentation, innocent misrepresentation, breach of contract, and promissory estoppel against the Hillenbrand Defendants based upon their failure to finalize the remaining agreements and to overlay their nurse call system with Versus' locating system. Count

VI alleges a claim against the Hillenbrand Defendants and Visonic for infringement of Versus' patents in the event that the License Agreement is rescinded based upon the misrepresentation claims. Finally, Count VIII alleges various antitrust violations by the Hillenbrand Defendants.

On April 7, 2004, HRS filed an amended complaint in the North Carolina case adding Hillenbrand and HRC as plaintiffs and adding five declaratory judgment counts. In the declaratory judgment counts, Hillenbrand seeks a declaration that: (1) Hillenbrand is not infringing Versus' patents and Versus has released any claims for infringement against Hillenbrand as a result of the License Agreement; (2) the License Agreement is not rescindable and Hillenbrand has not breached the License Agreement; (3) Hillenbrand never made any enforceable agreement with or representations to Versus; (4) Versus has no claim against Hillenbrand for misrepresentation, innocent misrepresentation, or promissory estoppel; and (5) Hillenbrand has not committed any antitrust violation against Versus. On April 26, 2004, Versus and the other defendants in the North Carolina case moved to dismiss Counts II through VI of Hillenbrand's amended complaint. To this Court's knowledge, the North Carolina court has not ruled on that motion as of the date of this Opinion.

II. Discussion

As noted above, the Court has before it motions raising personal jurisdiction and venue issues as well and dispositive issues. In addition, Versus requests leave to file a second amended and supplemental complaint which, among other things, clarifies Versus' patent infringement claims against Visonic and VTA. The Court will address Versus' motion to amend first and then consider the Hillenbrand Defendants' motion to transfer venue. Because the Court concludes that the case is governed by the first-to-file rule and that transfer is appropriate pursuant to that rule, the Court will

not consider VTA's and Visonics' motions to dismiss for lack of personal jurisdiction and the Hillenbrand Defendants' dispositive motions.

A. Motion to Amend

Versus seeks leave to file a second amended and supplemental complaint. Versus' proposed amendment contains additional factual allegations in order to comply with Rule 9(b) on the fraud and misrepresentation claims as required by the Court's August 26, 2004, Order. In addition, the proposed amendment adds Elpas as a defendant in this lawsuit and contains new allegations which identify Visonic's EIRIS Local Positioning System ("EIRIS LPS") as an infringing product separate from the COMLinx system identified in the amended complaint.

Under Rule 15(a) of the Federal Rules of Civil Procedure, once a responsive pleading has been filed, "a party may amend the party's pleading only by leave of court or by written consent of the adverse party." Fed. R. Civ. P. 15(a). Rule 15(a) also provides that "leave shall be freely given when justice so requires." Id. The mandate that "leave shall be freely given" embodies "the principle that cases 'should be tried on their merits rather than the technicalities of the pleadings.'" Moore v. City of Paducah, 790 F.2d 557, 559 (6th Cir. 1986) (per curiam) (quoting Tefft v. Seward, 689 F.2d 637, 639 (6th Cir. 1982)). However, a court is not obliged to grant an amendment simply because a motion is made. See Johnson v. Ventra Group, Inc., No. 96-1463, 1997 WL 468332, (6th Cir. Aug. 13, 1997) (per curiam). "A motion to amend a complaint should be denied if the amendment is brought in bad faith, for dilatory purposes, results in undue delay or prejudice to the opposing party, or would be futile." Crawford v. Roane, 53 F.3d 750, 753 (6th Cir. 1995); see also Foman v. Davis, 371 U.S. 178, 182, 83 S. Ct. 227, 230 (1962).

Visonic and VTA argue that the Court should deny the motion because Versus has already

had sufficient time to investigate its claims in this case and should have been aware that Elpas was a party to the supply agreement between HRS and VTA at the time it amended its complaint to add VTA as a defendant. Visonic and VTA further argue that by proposing yet another amendment, Versus is changing the complexion of the case by expanding the scope of the alleged infringement beyond the scope of the COMLinx product, even though Versus alleged to VTA's predecessor as early as 2001 that Elpas products infringed Versus patents. Visonic and VTA assert that Versus seeks to add Elpas and the EIRIS LPS product as an infringing product merely to avoid dismissal based upon lack of personal jurisdiction.

The Court will grant Versus' motion and allow it to file its amended complaint because Visonic and VTA have not cited a sufficient basis to deny the motion. The Sixth Circuit has recently observed: "Delay by itself is not sufficient reason to deny a motion to amend. Notice and substantial prejudice to the opposing party are critical factors in determining whether an amendment should be granted." Bridgeport Music, Inc. v. Dimension Films, 383 F.3d 390, 402 (6th Cir. 2004) (quoting Head v. Jellico Hous. Auth., 870 F.2d 1117, 1123 (6th Cir. 1989) (quoting Hageman v. Signal L.P.

Gas, Inc., 486 F.2d 479, 484 (6th Cir. 1973))). At most, Visonic and VTA have shown some delay, but they have not shown significant prejudice. That is, the amendment comes at an early stage in the litigation: a Rule 16 conference has not been held and no scheduling order has been entered and, except for the limited discovery relating to personal jurisdiction, discovery on the substantive issues has not yet begun. See Risteen v. Youth For Understanding, Inc., 245 F. Supp. 2d 1, 4-5 (D.D.C. 2002) (finding no prejudice to the defendants where the motion to amend was filed before entry of a scheduling order and before the commencement of discovery). Moreover, Versus has provided at least a plausible explanation for not adding Elpas as a defendant at an earlier time, namely, some

confusion regarding the relationship among Visonic, its wholly-owned entities (VTA and Elpas), and VTA's predecessor, Elpas North America, Inc. In any event, the amendment will not result in substantial prejudice to Visonics and VTA, and it is consistent with the interests of justice in the prompt resolution of disputes because, at least at this point, the EIRIS LPS product and the COMLINX product appear to be the same.

B. Motion to Transfer

The Hillenbrand Defendants have moved for a transfer of venue to the MDNC pursuant to 28 U.S.C. § 1404(a). As part of their motion to transfer, the Hillenbrand Defendants have invoked the first-to-file rule, which provides a separate basis for transfer.

The first-to-file rule is a generally recognized doctrine of federal comity which provides that "'as a principle of sound judicial administration, the first suit should have priority,' absent special circumstances." Kahn v. Gen. Motors Corp., 889 F.2d 1078, 1081 (Fed. Cir. 1989) (quoting William Gluckin & Co. v. Int'l Playtex Corp., 407 F.2d 177, 178 (2d Cir. 1969)). The rule allows a district court to decline jurisdiction over an action when a complaint involving the same parties and issues has already been filed in another district. Pacesetter Sys., Inc. v. Medtronic, Inc., 678 F.2d 93, 94-95

(9th Cir. 1982). The rule promotes the conservation of judicial resources and the comprehensive
disposition of litigation by avoiding duplication of time and effort, interference in another court's
affairs, conflicting results, and piecemeal resolution of issues that call for a uniform result. See
Sutter Corp. v. P & P Indus., Inc., 125 F.3d 914, 917 (5th Cir. 1997). A court determines whether
the first-to-file rule applies by examining: "(1) the chronology of the actions; (2) the similarity of the
parties involved; and (3) the similarity of the issues at stake." Plating Resources, Inc. v. UTI Corp.,
47 F. Supp. 2d 899, 903-04 (N.D. Ohio 1999) (citing Alltrade, Inc. v. Uniweld Prods., Inc., 946 F.3d

622, 628 (9th Cir. 1991)); see also Zide Sport Shop of Ohio, Inc. v. Ed Tobergte Assocs., Inc., No.
00-3183, 2001 WL 897452, at *3 (6th Cir. July 31, 2001) ("The rule provides that when actions
involving nearly identical parties and issues have been filed in two different district courts, 'the court
in which the first suit was filed should generally proceed to judgment.'") (quoting In re Burley, 738
F.2d 981, 988 (9th Cir. 1984)). The claims in the two cases need not be identical; only substantial
similarity of issues or substantial overlap in the cases need be shown. See Datamize, Inc. v. Fidelity
Brokerage Servs., LLC, No. 2:03-CV-321-DF, 2004 WL 1683171, at *3-4 (E.D. Tex. Sept. 5, 2003)
(citing Superior Sav. Ass'n v. Bank of Dallas, 705 F. Supp. 326, 329 (N.D. Tex. 1989)); Plating
Resources, Inc., 47 F. Supp. 2d at 903 (stating that "courts should invoke the rule when two suits
involving substantially the same parties and purpose have been filed in a concurrent jurisdiction").
Similarly, the rule does not require identical parties in both cases. See Save Power Ltd. v. Syntek
Fin. Corp., 121 F.3d 947, 951 (5th Cir. 1997) (stating that "[c]omplete identity of parties is not
required" to apply the rule); Hartford Accident & Indem. Co. v. Margolis, No. 90-16626, 1992 WL
43484, at *1 (9th Cir. Mar. 5, 1992) ("Absolute identity of parties in the two cases is not required.");
Homas & Betts Corp. v. Hayes, 222 F. Supp. 2d 994, 996 (W.D. Tenn. 2002) (stating that "precise

identity of the parties to both actions is not required") (citing Plating Resources, Inc., 47 F. Supp.
2d at 904); EBW, Inc. v. Environ Prods., Inc., No. 1:96-cv-144, 1996 WL 550020, at *3 (W.D. Mich.
July 8, 1996) (stating that "a precise identity of parties is simply not required").
Complicating the Court's resolution of this issue somewhat is the fact that Versus has filed
a motion to dismiss Counts II-VI of the Hillenbrand Defendants' amended complaint in the MDNC
action – the declaratory judgment claims that mirror Versus' claims in this case – based upon the
first-to-file rule. Further muddying the waters is the parties' dispute regarding whether this action

or the MDNC action should be considered the first-filed action. This issue is of consequence
because it is generally accepted that the court which first obtained jurisdiction should determine
whether to apply the first-to-file rule. See Daimler Chrysler Corp. v. Gen. Motors Corp., 133 F.
Supp. 2d 1041, 1044 (N.D. Ohio 2001) ("Leaving the decision of the first to file dispute to the court
in which the first case was filed makes good sense, as it establishes a bright line rule, which is as
easy to apply as it is to understand."); Kimberly-Clark Corp. v. McNeil-PPC, Inc., 260 F. Supp. 2d
738, 741 (E.D. Wis. 2003) (holding that "where identical, or nearly identical, actions are pending
before two courts, it is the court in which the action was first filed that makes the determination of
which court is to hear the case"). The present circumstances thus pose a risk of two courts reaching
different conclusions based upon a procedural rule designed to maximize judicial economy and avoid
inconsistent outcomes. However, in light of the parties' comments at oral argument indicating that
the MDNC may be waiting for a decision from this Court before addressing Versus' motion to
dismiss in that case, this Court will address the issue.

Chronologically, the MDNC complaint was filed first in time, which suggests that the MDNC
action was the first-filed action. See Kimberly-Clark Corp., 260 F. Supp. 2d at 740-41 ("The issue,
however, is not which of the claims was filed first, but rather which action was filed first. And as

to that issue there is no dispute. The action McNeil commenced in New Jersey District Court was filed first."). Versus contends that this case was the first-filed action because the claims were first made in this Court and this case includes parties that are not present in the MDNC action. Versus points out that the MDNC case was limited to patent infringement claims by HRS against Versus and three of its distributors, while this action includes patent infringement claims based upon different patents, as well as misrepresentation, breach of contract, and antitrust claims against HRS,

HRC, Hillenbrand, and the Visonic Defendants.

Although Versus is correct that its claims were first raised in this case, several courts have held that a subsequently-filed amendment is prior to an earlier complaint where the amendment is made in the first-filed action. Some courts have relied upon the relation-back doctrine under Fed. R. Civ. P. 15(c) in order to conclude that the amendment was first-filed. See, e.g., Nat'l Foam, Inc. v. Williams Fire & Hazard Control, Inc., No. CIV. A. 97-3105, 1997 WL 700496, at *4-7 (E.D. Pa. Oct. 29, 1997). The Second Circuit, and several other courts following its lead, has held that the first-filed rule applies in *any* case, where a plaintiff amends its complaint to add claims raised in a second-filed suit in another district. In Mattel, Inc. v. Louis Marx & Co., 353 F.2d 421 (2d Cir. 1965), Marx sued Mattel in the District of New Jersey seeking a declaration of non-infringement and invalidity of Mattel's trademark. Soon thereafter, Mattel filed suit against Marx in the Southern District of New York alleging trademark infringement and a claim for patent infringement. Marx responded by amending its complaint in the New Jersey action to add a count for declaratory judgment of non-infringement and invalidity of the patent at issue in the New York action. The parties filed motions in both courts seeking a stay of the other parties' actions. The New York court enjoined Marx from proceeding in the New Jersey action because the New York action was the first action to pose all of the issues between the parties. The Second Circuit held that this "basic principle" was correct, but concluded that the district court should have applied it in favor of the first-filed New Jersey action:

> The New Jersey action was the first to bring both parties into court and the Marx complaint, as amended prior to the time Judge Sugarman heard argument on the Mattel motion to stay the New Jersey action, included the identical issues as the Mattel complaint in the New York action: validity and infringement both of the patent and of the trademark. The fact that these issues were not all spelled out in the

> New Jersey action until Marx had amended its complaint is immaterial. . . . Thus, the New Jersey suit was the first suit which made possible the presentation of all the issues and which, by amendment of the complaint did raise all the substantial issues between the parties.

Id. at 424. Accord GT Plus, Ltd. v. Ja-Ru, Inc., 41 F. Supp. 2d 421, 424 (S.D.N.Y. 1998) (stating that "[b]y virtue of Ja-Ru's amended complaint, the issues in the New York action are no different than the issues in the Florida action, only fewer in number"); Ainsworth v. Merrill Lynch, Pierce, Fenner & Smith, Inc., 298 F. Supp. 479, 480 (W.D. Okla. 1969) ("This suit was filed prior to the Texas action, and Defendants attempt to extricate themselves from the application of the [first-tofile] rule by pointing out that the issues of this case which are similar to those of the Texas case were not raised until plaintiffs amended their Complaint subsequent to the filing of the Texas action. However, this circumstance of amendment is not material in determining priority.").

In SAES Getters S.P.A. v. Aeronex, Inc., 219 F. Supp. 2d 1081 (S.D. Cal. 2002), the court was confronted with the issue of whether to give priority to a second-filed action in another court which sought a declaration of non-infringement or to the defendant's proposed counterclaim in the first-filed case before it alleging infringement of the same patent at issue in the second-filed action. Relying on Mattel, Inc., in part, the court concluded that the proposed counterclaim, although filed after the second-filed suit, had priority, because "the forum with priority is the one where the parties initially sued each other, even if the parties raise a different claim in a subsequently filed suit in a different forum" Id. at 1090.

The Court concludes that the rationale in Mattel, Inc. makes good sense because it facilitates
the policies of the first-to-file rule by allowing the first court in which all issues are raised to
determine how the cases should proceed. Versus has not cited any authority to the contrary, and the

Court finds no reason to reject this reasoning. Although this rationale provides a sufficient basis for
this Court to defer to the MDNC action as the first-filed action, this result is also proper because,
while the claims in the two cases are not exactly the same, there is ample basis for finding a
substantial overlap between the cases. With regard to issues or claims, patent infringement claims
are a central focus of both cases and the patents at issue are similar. Versus asserts that there is no
similarity because the patents in the two suits "are different patents that were issued at different times
to different inventors, and the patents cover different technologies." (Gaisser Decl. ¶ 23.) On the
other hand, the summary chart prepared by the Hillenbrand Defendants comparing the titles,
abstracts, and excerpts from the written descriptions of HRS's and Versus' patents shows that while
the patents may be different, they involve similar technology, i.e., locating systems for assets and
personnel using infrared and radio signals, and are closely related. The court's observations in SAES
Getters S.P.A. are particularly relevant here:

Just a cursory glance over both patents reveals that they are markedly similar. Both patents claim to provide a method for purifying gases, and both use what appears to be a similar method for doing so. The Court believes that it will be important for the consistent interpretation of these two similar patents to have one court, rather than two, interpret them. Having a single court conduct the *Markman* hearings for both patents will ensure that the court is familiar with all the potential overlap (if any) in the claims made by the two patents. Furthermore, if the issues related to both patents are presented to one court, the parties can raise any issues of invalidity stemming from the relationship between the two patents before a court which will be wellversed in the technology presented by both patents. Thus, by bringing both patent claims before one court, the possibility of inconsistent judgments should be substantially minimized, if not removed.

SAES Getters S.P.A., 219 F. Supp. 2d at 1092. Based upon a similar rationale, the Eastern District

of Virginia recently transferred to this Court a patent infringement case, even though the patents were
not the same as those in the first-filed case before this Court, because the patents in both cases

involved the same "interactive whiteboard" technology and "[l]itigating this singular issue in two
different courts could result in conflicting judgments, undermining the enforcement of a court's
decision." Smart Techs., Inc. v. PolyVision Corp., No. 3:04CV545, slip op. at 5 (E.D. Va. Oct. 20,
2004).

There is also sufficient similarity between the parties to warrant the application of the first-tofile
rule. Versus says that there is little similarity because its distributors are involved in the MDNC
action but not here, and HRS and Versus are the only parties common to both suits. However, HRS
is closely related to HRC and Hillenbrand because Hillenbrand is the parent and HRS and HRC are
wholly-owned subsidiaries of Hillenbrand. In addition, while the distributors are present only in the
MDNC action, they are only peripheral to the main dispute between HRS and Versus because their
involvement is limited to purchasing and/or reselling the accused device rather than manufacturing
it. See Corry v. CFM Majestic Inc., 16 F. Supp. 2d 660, 664 (E.D. Va. 1998). Finally, the Visonic
Defendants' presence in this suit does not detract from the similarity between the two suits because,
as the supplier(s) of an accused product to HRS, the Visonic Defendants are essentially in the same
position as HRS.

Based upon its conclusion that the MDNC is the first-filed court and that there is a substantial
likelihood of overlap between the cases, the Court determines that the most appropriate course of
action is to transfer this case to the MDNC to determine how the two cases should proceed. See
Cadle Co. v. Whataburger of Alice, Inc., 174 F.3d 599, 605-06 (5th Cir. 1999) (holding that the
district court properly transferred the second-filed case to the first-filed court after finding a
likelihood of a substantial overlap between the two cases) (citing Mann Mfg. Inc. v. Hortex, Inc., 439

F.2d 403, 407 (5th Cir. 1971)).

III. Conclusion

For the foregoing reasons, the Court will grant Versus' motion to file a second amended and
supplemental complaint and will grant the Hillenbrand Defendants' motion to transfer venue upon
the grounds that the MDNC action is the first-filed action. In light of the transfer, the Court will
leave the decision on the Hillenbrand Defendants' motions to dismiss and Visonic's motion to
dismiss for lack of personal jurisdiction to the MDNC.

Dated: November 23, 2004 /s/ Gordon J. Quist
GORDON J. QUIST
UNITED STATES DISTRICT JUDGE